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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 CARNEGIE INSTITUTION OF
4 WASHINGTON, et al,

5 Plaintiffs,

6 v.

7 PURE GROWN DIAMONDS, INC. et
8 al,

9 Defendants.

20CV00189

Telephone Conference

10 New York, N.Y.
11 November 24, 2020
12 3:32 p.m.

13 Before:

14 HON. JED S. RAKOFF,

15 District Judge

16 APPEARANCES

17 PERKINS COIE LLP

18 Attorneys for Plaintiffs

19 BY: TERRENCE WIKBERG

20 MATTHEW MOFFA

21 MICHAEL CHAJON

22 LEYDIG, VOIT & MAYER, LTD.

23 Attorneys for Defendants

24 BY: STEVEN SKLAR

25 DAVID AIRAN

MAXWELL SNOW

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(The Court and all parties appearing telephonically)

THE COURT: This is Judge Rakoff. Would counsel please identify themselves for the record.

MR. WIKBERG: Good afternoon, your Honor. This is Terrence Wikberg from Perkins Coie representing plaintiffs. With me today is Mr. Matthew Moffa and Mr. Michael Chajon.

THE COURT: Good afternoon.

MR. WIKBERG: Good afternoon, your Honor.

MR. SKLAR: Good afternoon, your Honor. This is Steven Sklar on behalf of the defendant, Fenix Diamonds. And with me today is David Airan and Maxwell Snow.

THE COURT: Good afternoon. All right, we have limited time. I've already told the parties that moving counsel have 20 minutes followed by 25 minutes for the response, plus 5 minutes for rebuttal.

So, let's hear from moving counsel.

MR. SKLAR: My colleague, David Airan, would like to start for the defendants. I'm sharing my screen, your Honor. I don't know if you're able to see that?

THE COURT: Yes.

MR. AIRAN: So, at the outset, your Honor, I didn't realize we had 20 minutes, but I will do my best to abbreviate my presentation. So if you can let me know if I'm getting too verbose, I would appreciate that.

At the outset, I wanted to note to the Court that

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1 Fenix is the defendant in this case, but it is a seller of
2 diamonds, it does not manufacture diamonds. The asserted
3 claims in this case, I'll recite methods for diamond
4 production, as Nouveau Diamonds, LLP, is the actual party that
5 makes the diamonds and supplies them to Fenix.

6 Plaintiffs in this case chose not to pursue Nouveau as
7 the defendant and, instead, chose to pursue Fenix, the reseller
8 of these diamonds as the infringer under 271(g).

9 We have cited, in our opening brief and in our reply
10 brief, a case, *Mirror Worlds v. Apple*, 692 F.3d at 1351. That
11 makes clear that a plaintiff must show all steps of the claims
12 method are performed.

13 So, in this case, those steps of the claimed method
14 must be performed by Nouveau, which is the party that actually
15 produces the diamond, because Fenix, the actual defendant in
16 this case, does not make the diamonds, but somebody has to
17 perform all of the claims stuff, and in this case, that is
18 Nouveau.

19 The motion for summary judgment in this case is
20 warranted for the two patents that are asserted; there is the
21 078 patent and the 189 patent. My colleague, Steve Sklar, will
22 be addressing the 189 patent and I will be addressing the 078
23 patent.

24 In connection with the 078 patent, the parties dispute
25 a claim construction matter, predominantly. That's a legal

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1 matter, that is not a question of fact. And so, we think
2 summary judgment here is warranted as a matter of law.

3 The central question in this case, we think, was
4 decided in the Markman order. The Court issued its Markman
5 order on May 8th in this case, and the Court did a very concise
6 and careful description of the 078 patent as describing a
7 method for improving upon earlier microwave plasma CVD
8 techniques.

9 In particular, the prior methods had a tradeoff
10 between diamond growth rate and quality. As the growth rates
11 went up, the MPCVD processes resulted in unwanted artifacts,
12 such as twinning and polycrystalline. That was the problem
13 that the prior art had, according to the 078 patent, and is
14 recognized by the Court in its Markman order.

15 The 078 patents, as the Court cited in the order at
16 page 4, it claims to improve upon the prior art by producing
17 single-crystal MPCVD diamonds at a higher growth rate, and that
18 result, meaning the single-crystal diamond growth, was achieved
19 by creating temperature and pressure conditions that fall
20 within particular ranges and, importantly, by controlling the
21 temperature gradients across the growth surface of the diamond
22 seed, such that they are less than 20 degrees C.

23 So, as we have up on the screen now, the problem, as
24 described by the 078 patent, was polycrystalline growth on the
25 edges of the growth surface. The solution was particular

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1 temperatures or pressures to be used in the creation of these
2 diamonds, as well as maintaining the surface temperature
3 gradients to be less than 20 degrees C would result in the
4 production of single-crystal diamonds with insubstantial
5 nonmonocrystalline growth.

6 So the secret sauce here, if you will, was the surface
7 temperature gradients. The particular temperatures and
8 pressures were known in the prior art, but the patents held
9 that by controlling, carefully, the surface temperature
10 gradients, it was possible to grow large single-crystal
11 diamonds with only insubstantial nonmonocrystalline growth.

12 Fenix's motion for summary judgment of the 078 patent
13 boils down to the fact that it's processes result in large
14 amounts of nonmonocrystalline material being grown. Nouveau,
15 therefore, does not grow single-crystal diamonds on the growth
16 surface as claimed. That is one of the two claim limitations
17 that I'll be talking about this afternoon --

18 THE COURT: I don't understand what your second point
19 adds to your first point. You say Nouveau does not grow a
20 single-crystal diamond because Nouveau's process results in
21 large amounts of nonmonocrystalline materials. Fine, if you're
22 right on that, you prevail as to this patent, but then you say
23 nonuniform growth also establishes the gradient's limitation
24 has not been met. How do I even reach the second point?

25 MR. AIRAN: I think they're related, to be sure, but

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1 they are independent. Well, maybe if I move forward in the
2 actual claim, which I have up on the screen now, there are two
3 limitations. The first limitation is controlling the
4 temperature of a growth surface, such that all of temperature
5 gradients across the surface are less than 20 degrees C. The
6 second is the kind of limitation in growing single-crystal
7 diamonds on the growth surface. So you have to do both of
8 those things. If, by some different technology, you are able
9 to grow single-crystal diamonds on the growth surface, that
10 does not involve maintaining the temperature gradient to less
11 than 20 degrees C, you also would not infringe the claim.

12 Does that answer the Court's question?

13 THE COURT: Well, I hear what you're saying. It seems
14 to me that the reason you say that Nouveau is not maintaining a
15 temperature gradient of less than 20 degrees is because there
16 is more than insubstantial nonmonocrystalline growth. But, all
17 right, anyway, go ahead.

18 MR. AIRAN: That's correct. In this case, your Honor,
19 I think that showing the nonmonocrystalline growth in the
20 Nouveau process means that you're not practicing either
21 limitation. I do agree with that. So, they are related in
22 that sense, that the surface morphology establishes, when you
23 see the substantial nonmonocrystalline growth, that surface
24 morphology establishes that the growth surfaces have not been
25 maintained less than 20 degrees.

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1 So, looking at the claim limitation, I did want to
2 state the second limitation first, which is the growing
3 single-crystal diamonds on the growth surface.

4 As I mentioned earlier, the Court construed a couple
5 claim terms here. Single-crystal diamonds was a term that was
6 disputed by the parties, and the Court did construe that term
7 to mean a standalone diamond having insubstantial
8 nonmonocrystalline growth. That construction is consistent
9 with the central teaching of the patent, which is, it is
10 possible to grow large, high-quality, single-crystalline-growth
11 diamonds under certain conditions. According to the patent,
12 the example in the patent shows a single-crystal diamond being
13 grown with only a small degree of polycrystallinity located at
14 the top edges of the diamonds. And that's at the bottom of
15 column 13 of the patent spanning onto column 14.

16 In the Court's plain construction, the Court held that
17 all parties appeared to agree that a skilled artisan would read
18 this term to refer to the surface on which diamond growth is
19 occurring in the given moment, and that the area constituting
20 the growth surface changes over time. And that only makes
21 sense because, as you put the diamonds into the CVD chamber,
22 the material, the hydrocarbons are accruing under the growth
23 surface, which is growing over time.

24 And the Court rejected the plaintiff's construction at
25 that time, which sought to restrict the term, growth surface,

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1 to adjust the area where the single crystal was growing, not
2 the entire growth surface. And the Court resolved that
3 question at the time of the Markman order and said the
4 plaintiff's proposed construction would wrongly restrict the
5 term.

6 Further, the Court went on to say that, even where its
7 methods of growing single-crystal diamonds is followed, small
8 amounts of polycrystalline diamonds will nonetheless grow in
9 localized places on the diamond, and that such areas should be
10 included within the definition of the growth surface. And,
11 again, the Court was careful to note that the surface is the
12 entire surface with a hydrocarbon gas for growing the diamond.
13 And the conclusion from that section was that the construction
14 of the term, growth surface, was therefore not polycrystalline
15 growth.

16 Your Honor, some of these slides, such as slide 18, do
17 contain material that Nouveau believes is highly confidential,
18 and we would ask that those images specifically not be released
19 to the public, but I think we can talk about this in a
20 qualitative sense without going into a private record.

21 So, what we have up on the screen right now is some
22 images that show very, very substantial nonmonocrystalline
23 growth; so, that is an example. In these photos throughout the
24 case, these are typical batches, and they show that there is
25 more than insubstantial nonmonocrystalline growth being grown

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1 in the Nouveau process. Slide 19 includes some additional
2 photos of what the typical Nouveau batch would contain.

3 When you look at the Court's claim construction versus
4 the plaintiff's theory of infringement, it's simply
5 irreconcilable. We put, on the left side of that table, the
6 Court's claim construction; the right side of the table
7 includes the plaintiff's theory of infringement. Looking at
8 the first row, the Court's construction states the term, growth
9 surface must therefore not exclude polycrystalline growth. And
10 when we look at what Dr. Kipano, who is plaintiff's expert, in
11 his expert report, he says he does not interpret growth surface
12 to include the polycrystalline diamond that grows in the
13 periphery of the single-crystal diamond. That statement is
14 flatout irreconcilable with the Court's claim construction.

15 The next item in the table, also, is the same way.
16 The Court says the plaintiff's construction would wrongly
17 restrict growth surface to include only surface area where the
18 single-crystal diamond is growing, whereas Dr. Kipano and
19 plaintiff's expert says, and plaintiff adopts, the growth
20 surface is the region where single-crystal diamond grows and
21 does not include the surrounding area. That's a repudiation of
22 the Court's claim construction. That's going back to what they
23 had proposed to the Court in the Markman briefing, which is the
24 growth surface only includes the single-crystal diamond.

25 Finally, the last item we put up on the table was

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1 where the Court said the growth surface refers to the entire
2 surface where hydrocarbon gases are accruing, the witness --
3 the expert, on behalf of plaintiff, testified, when I asked
4 him, are you willing to include the entire surface upon which
5 the hydrocarbon gases are accruing as part of the definition,
6 he rejected that concept.

7 So, here, we see three specific instances where the
8 plaintiff's theory of infringement is just flatout inconsistent
9 with the Court's claim construction.

10 Again, looking at the view 10 from the Nouveau
11 affidavit where the plaintiff has taken the position that if
12 that black material, which is considered in the industry to be
13 polycrystalline material, is included, then there is no
14 infringement. The plaintiff's expert says that he believes
15 that it does contain polycrystalline diamond, but that is not
16 part of the growth surface. So, we don't have a factual
17 dispute here. What we have is a dispute relating to claim
18 construction.

19 Under federal circuit law where the parties do not
20 dispute any relevant facts regarding the accused product, but
21 disagree over possible claim interpretations, the question of
22 literal infringement collapses into claim construction and it
23 is amenable to summary judgment, and that is precisely what we
24 have here. The Court has already construed the claims, and
25 under the Court's claim construction, it's a matter of whether

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1 the growth surface includes the nonmonocrystalline material or
2 whether you construe the growth surface to mean only the single
3 crystallin material.

4 Accordingly, plaintiffs did not seek --

5 THE COURT: I get this point, even without what you're
6 about to add to it.

7 MR. AIRAN: Fine, I'll move on.

8 THE COURT: Well, because I thought your colleague
9 also wanted to be heard and you've got, collectively, 8 minutes
10 left.

11 MR. AIRAN: Okay. There is just one quick point I
12 would like to make here, let me get to it.

13 Under the plaintiff's theory of infringement here and
14 is, I believe, slides 10 and 11 of their infringement theories,
15 they refer to single-crystal material. They have a rocking
16 curve analysis and then they show diced single-crystal
17 diamonds, and I wanted to point out to the Court that that is
18 not the as-grown diamond. That is the diamond after it's been
19 cut, polished, annealed, and post-processed; that is not what
20 the claim is directed to. The claim is directed to growing
21 single-crystal diamonds and it is not directed to these
22 post-processing steps where you're able to extract, from a
23 polycrystalline diamond, some small amount of single crystallin
24 material and say, aha, because you were able to do it and refer
25 it to the claim. That works backwards and avoids the exact

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1 problem that the patent is designed to -- so Nouveau is doing
2 what the 078 patent disparages.

3 One other quick point on the plaintiff's theory.
4 Single growth or growth of single-crystal material is possible,
5 certainly, that's the teaching of the 078 patent. In addition,
6 Dr. Helmly, who is one of the inventors on the patent,
7 testified that, in the example of what small amounts of
8 localized polycrystallinity would look like, he said it would
9 be about 1 percent. Since then, diamonds have been produced
10 with no polycrystalline growth on the edges -- this is all
11 documented in the slides and we pointed to the citations in the
12 records for that point. I just wanted the Court to be aware
13 that plaintiff is not correct in the factual matter, that it is
14 not possible to grow single-crystal diamonds without this
15 substantial nonmonocrystalline growth on the edges. That
16 certainly is possible, that's what the patent teaches, the
17 inventor said it's possible and the literature shows that it's
18 possible.

19 The last point I'll leave you with and then I'll turn
20 it over to my colleague, and this may be the most important
21 point in connection with this issue. In his expert report,
22 Dr. Kipano said that if the parasitic non-diamond or
23 polycrystalline diamond material that grows during diamond
24 production was considered to be part of the growth surface, one
25 would not be growing single-crystal diamonds on the growth

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1 surface as required by the claim. So, he was talking very
2 specifically about that claim limitation, growing
3 single-crystal diamonds on the growth surface. And he
4 admitted, right there, that there is no infringement if you can
5 consider the polycrystalline diamond material to be a part of
6 the growth surface. So that statement right there establishes
7 that if that material is considered, and it properly is
8 considered, there is no infringement of the 078 patent.

9 With that, I'll turn it over to my colleague on the
10 189.

11 THE COURT: Okay.

12 MR. SKLAR: Your Honor, I just have some few brief
13 comments about the 189 patent.

14 In our view, summary judgment is proper at this time,
15 and this is explained on slides 30 through 34, with our
16 position leading up to some developments last week, based on
17 the full summary-judgment record and all of the discovery that
18 has taken place at this point.

19 Plaintiffs are no longer pursuing a claim of
20 infringement of the 189 patent, despite the allegation of
21 infringement and even willful infringement in the original
22 complaint. The 189 -- and I'm on slide 32 -- requires certain
23 pressure that annealing takes place. Nouveau annealed this
24 diamond, so this is the process that occurs -- annealing occurs
25 after the growing of the diamond that my colleague was talking

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1 about with the 078 patent. Nouveau used less than that
2 pressure. Plaintiffs don't contest that -- and I'm on slide
3 33. There is no --

4 THE COURT: What they're saying is, if I recall
5 correctly, is that their counterclaim is still alive to the
6 extent it seeks attorneys' fees.

7 MR. SKLAR: That would be our counterclaim, your
8 Honor.

9 THE COURT: Oh, yes.

10 MR. SKLAR: Our counterclaim -- this is really to our
11 add, today, which, basically, is a new development. This is
12 outside of the summary judgment briefing, and this is our
13 slides 35 to 37. We figured the issue would come up. It was
14 presented last Friday in an exchange of emails with Mr. Mandel.

15 Plaintiffs have now said they are going to withdraw
16 their claim of infringement of the 189 patent with prejudice,
17 no longer without, as they indicated in their summary judgment
18 papers, has now been with prejudice. There is a covenant not
19 to sue that they also indicated, but in our view dismissal --
20 summary judgment is proper, even despite their proposal to
21 dismiss the case with prejudice and presumably seek to have
22 dismissal -- I'm sorry -- Fenix's counterclaims of invalidity
23 and unenforceability.

24 Rule 4182 is applicable here, and that is applicable
25 even if there is -- it's a with-prejudice type of dismissal.

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1 There is a case we cite on slide 35, the Chun case out of the
2 Central District of California wherein exactly these
3 circumstances, the Court denied a motion to dismiss in an
4 effort to remove counterclaims and said summary judgment is
5 proper and granted summary judgment of noninfringement. That's
6 the *Chun v. Vaporous Technologies* case, 2018 WL 2754506 at
7 slide 35. I think --

8 THE COURT: Again, this is all just words, except for
9 the question of attorneys' fees.

10 MR. SKLAR: There is an issue, your Honor, with the
11 covenant that I wanted to raise -- and this is our slide 37,
12 the last slide. We do not believe the covenant not to sue
13 gives the certainty that Fenix is looking for in this
14 litigation, and certainty is the opportunity to pursue a
15 validity and unenforceability of the 189 patent. Plaintiffs
16 certainly sued us and alleged, not only infringement, but
17 willful infringement, but we believe there is at least the
18 possibility that this issue will not be removed completely by
19 the covenant not to sue if Fenix turns to another manufacturer
20 of CVD diamonds. As my colleague said, Fenix does not
21 self-manufacture, so it could purchase CVD diamonds from
22 another source and be faced with infringement again based on
23 the covenant not to sue and therefore, at this time, at this
24 late date, this 11th hour grant of a covenant not to sue should
25 not preclude Fenix from pursuing invalidity and ethical conduct

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1 that's also in the case.

2 There are certainly policy concerns here raised, as
3 addressed by several cases, including strong descent by Judge
4 Dyk of the Federal Circuit in the *Genentech* case that's
5 following up on the Supreme Court's decision in *Cardinal*
6 *Chemical*. There should be a right of a defendant in this
7 situation to pursue invalidity counterclaims, and we want to
8 make sure we're not waiving our rights to pursue this issue at
9 the Federal Circuit or beyond if it comes to it.

10 So, there are issues of attorneys' fees that we
11 believe we are entitled to pursue on all issues, including the
12 189 by plaintiffs. So apparent giving up at the 11th hour
13 after all expert discovery, fact discovery on the 189 patent.
14 We certainly -- we're surprised, on the eve of the hearing, to
15 get this covenant not to sue.

16 THE COURT: Thank you very much. I'll hear from your
17 adversary.

18 MR. WIKBERG: Thank you, your Honor. This is Terry
19 Wikberg from Perkins Coie for plaintiffs.

20 Speaking first today will be Matthew Moffa, so I will
21 hand it over to him.

22 THE COURT: Okay.

23 MR. MOFFA: Good afternoon, your Honor.

24 And may it please the Court, I think there is a wide
25 difference of opinion between the plaintiffs and defendants in

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1 a few matters, but certainly, our position is that we have
2 raised a triable issue of fact supported by evidence and
3 Fenix's own admission as to whether they are growing
4 single-crystal diamond on the growth surface of their diamonds.

5 I will briefly address the comments of Mr. Airan
6 regarding claim construction and otherwise explain plaintiff's
7 position, which I don't think has been characterized
8 accurately. I also want to take a few minutes just to address
9 an overarching evidentiary concern that the plaintiffs have
10 with what the evidence that the defendants are trying to rely
11 on for summary judgment.

12 If I may show my screen?

13 THE COURT: Yes.

14 MR. MOFFA: Can you see that, your Honor?

15 THE COURT: Yes.

16 MR. MOFFA: Thank you. Regarding the claim
17 construction, and this is dangerous territory to try and
18 explain in a Court's order to the Judge, but we believe that
19 Fenix is extrapolating, quite widely from the Court's Markman
20 order to generate their non-infringement position.

21 Now, our understanding is, during claim construction,
22 the plaintiffs proposed a construction of growth surface
23 containing the phrase, single crystal. And if we understand
24 the Court's order, the Court recognized that the patent used
25 that term, growth surface, both in conditions where

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1 single-crystal diamond was grown and polycrystalline diamond
2 was grown. So, the Court gave it plain and ordinary meaning
3 and declined to import the limitation of single crystal into
4 the meaning of growth surface. And on page 19, the Court said
5 that the surrounding context, in which that term was used,
6 would determine its scope.

7 So, plaintiff's expert accordingly read the claims and
8 read the terms, growth surface and growing single-crystal
9 diamond in the context of the claims. Plaintiff's expert has
10 shown how Fenix grows single-crystal diamond on the growth
11 surface, irrespective of what it might grow on the sides or
12 between the diamond seeds that it uses.

13 If I may, your Honor, I'm going to show an image, and
14 this image is a highly confidential image, it was referenced by
15 my colleague and I'll be careful not to, on the record, reveal
16 any of the confidential information. But, the fact that
17 Fenix -- it admits that a single-crystal domain grows on each
18 seed in their process, that polycrystalline material is grown
19 around each single-crystal domain, and as shown on the slide,
20 there is a treatment and that polycrystalline material does not
21 remain there anymore. So, what Fenix has is a diamond with
22 insubstantial polycrystalline diamond and insubstantial
23 graphite inclusions; those are two admission that Fenix makes
24 about the diamonds that they sell, that are grown by Nouveau
25 and sold. Plaintiff's expert arranged, as defendants noted, a

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1 very rocking curve analysis. This is the standard analysis in
2 the field of Fenix's diamonds to determine that those diamonds
3 were single-crystal diamonds.

4 So, the short answer is that Fenix is infringing the
5 claims or that the Nouveau process infringes the claims. The
6 diamonds that Fenix imports and sells are single-crystal
7 diamond, and that was single-crystal diamond that was grown on
8 the growth surface, notwithstanding the removable material that
9 may be between the seeds.

10 It's fundamental, in patent law, that a claim is
11 infringed if every step is performed, even if additional steps
12 are performed, too. Inventions build on each other. Nouveau
13 may have developed a commercially viable way to grow multiple
14 diamonds from multiple seeds by growing additional stuff
15 between the seeds, but the patent is still infringed, the claim
16 is still infringed whether or not they do extra things, and
17 they admit that all that extra can be removed, and the diamond
18 is then sold.

19 I think our position is quite simple. I will only
20 point out that, in a number of the slides that the Fenix has
21 shown, they rely on disputed statements of fact saying that
22 there have been diamonds produced with no polycrystalline
23 growth, saying that Dr. Helmly testified the growth would be
24 about 1 percent; those are disputed statements as they take
25 statements out of context, they take expert statements out of

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1 context from the record and that just highlights how there are
2 disputed issues of fact behind the summary judgment, it's not
3 simply a matter of the parties read the claims differently.
4 Our expert has, with multiple sources of evidence and
5 admissions, shown that they grow single-crystal diamond with
6 insubstantial nonmonocrystalline growth on the growth surface
7 in their process.

8 Your Honor, if I may turn to the evidentiary issues?

9 THE COURT: Yes.

10 MR. MOFFA: I think this is an overarching concern and
11 I think our papers do a good job, but there are things raised
12 for the first time in reply and I want to make sure we get to
13 address it.

14 We have raised a question under rule 56(c) whether the
15 evidence provided is appropriate for summary judgment. The
16 defendants' reply that the Court can rely on any material that
17 will be admissible at trial, but I want to point out that the
18 burden is on the proponent to show that the material is
19 admissible or how it would be admitted. Now, summary judgment
20 deadlines were set early in this case, and had Fenix wanted to
21 move for summary judgment, it was their burden to provide the
22 Court with admissible, reliable evidence on which to grant
23 their motion, but they have not done so.

24 Let me just briefly summarize the unconventional
25 manner in which the evidence was provided here. You may recall

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1 that plaintiffs brought an early motion to compel production of
2 documents from Nouveau, and the Court denied that motion. In
3 that denial, Fenix's counsel represented to the Court they have
4 no control over Nouveau, that Fenix is not allowed to see
5 Nouveau's documents or learn Nouveau's process, and that
6 Fenix's counsel doesn't represent Nouveau. Despite those
7 representations, Fenix's counsel has repeatedly communicated
8 with Nouveau during this case without providing those
9 communications to us. They've asked Nouveau for videos,
10 photos, documents, they've given them instructions to perform
11 certain experiments.

12 Then Fenix's counsel has Bates stamped and emailed
13 those documents to us. They were not produced by Nouveau.
14 Nouveau never responded to a third-party subpoena. And, your
15 Honor, although there was a Hague evidentiary request that was
16 issued and testimony has been taken, the Court declined to
17 order the production of any documents. So, the documents that
18 we have, the documents that Fenix is relying on, these have
19 been informally produced. They've been given by Nouveau to
20 Fenix, and we presume Fenix has sent all of them to us, but we
21 don't know, and despite bearing the burden, they haven't
22 demonstrated any of that in their summary judgment papers.

23 There are two cases that Fenix cites, *Salvino* and
24 *Jacobs*. Those each involve undisputed facts in business
25 records of the movant itself, that these are not Fenix's

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1 business records. These are purportedly from a third party.
2 Now, there are two main sources that they use in summary
3 judgment; an affidavit of the manufacturer and dozens and
4 dozens of documents that were emailed in this manner.

5 And let me just state some of the facial issues.
6 Again, these are new arguments on reply, so I apologize, your
7 Honor, but you do have the slides to show our position.

8 The affidavit is not proper evidence under Rule 56.
9 First of all, it's signed by two parties. There is no such
10 thing as joint testimony in the United States. You can't
11 segregate which declarant made which statement. It's not sworn
12 under penalty of perjury under the laws of the United States,
13 which would make it an admissible declaration under 28 U.S.C.
14 1746. It wasn't notarized by a U.S. notary, it wasn't taken to
15 an embassy, they have not sought a Hague convention at this
16 deal. So they call it an affidavit, but it's not an affidavit,
17 so it's not self-authenticating. Also, a new argument on reply
18 that they call the affidavit a party admission because our
19 expert has cited to it, but their authority doesn't stand for
20 that proposition at all. That authority involves --

21 THE COURT: Wait. I don't think you need to spend
22 more time on that point. I'll hear what they say in rebuttal,
23 but I'm not inclined to think it's a party admission.

24 MR. MOFFA: Thank you, your Honor.

25 Again, just the conditions under which it was provided

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1 are certainly unconventional. Fenix's counsel can't present
2 this evidence on the stand, even though that's our source of
3 it. It can't be introduced by a Fenix employee because they
4 represented to the Court that Fenix's employees aren't allowed
5 to see it. However, they might plan to sponsor this evidence
6 or get it in, it behooved Fenix to take those steps before
7 bringing a summary judgment motion.

8 The remaining documents are from the same flaw.
9 Remember Rule 56(c)(4) says, just because you put it in an
10 affidavit doesn't circumvent the admissibility requirements for
11 the evidence in that affidavit, the images, the photos, the
12 videos; none of these were provided by Fenix's counsel. And at
13 base, Fenix never made a Hague request for this information;
14 plaintiffs did. Fenix's papers give no basis to accept their
15 evidence; plaintiffs, at trial, are prepared to introduce their
16 evidence --

17 THE COURT: Let me ask you this, I think, again,
18 subject to hearing from your adversary, I think you have a
19 stronger argument as to these documents than you do as to the
20 affidavit.

21 Can you cite me to a case where a Court excluded an
22 affidavit at the summary judgment stage because there were
23 multiple affiants or because the oath was not taken before an
24 American notary or the like?

25 MR. MOFFA: Well, I certainly think that the

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1 definition of affidavit within the federal rules and statutes
2 is clear about --

3 THE COURT: Yes, but I'm asking for case law.

4 MR. MOFFA: I don't have a case at hand. I will tell
5 you I have seen multiple cases in which the Court has
6 considered that argument, where the argument has been raised
7 there two declarants and joint testimonies are permitted. The
8 Court passed on the issue or found other bases.

9 THE COURT: I have one other question, what's the
10 status of your Hague convention request? Are they completed
11 now?

12 MR. MOFFA: Yes, your Honor. The testimony has been
13 taken. Again, the Indian court permitted testimony, but not
14 the production of documents for inspection. That testimony is
15 undergoing a formal translation right now and we will be able
16 to present it to the Court as soon as that English translation
17 is completed because it was taken in Gujarati. But, again,
18 plaintiffs have taken the steps they need. I think the
19 defendant's argument that, well, how are plaintiffs going to
20 make their infringement case --

21 THE COURT: Let me ask, why did you sue Nouveau to
22 begin with?

23 MR. MOFFA: An excellent question, your Honor, of
24 course.

25 There is two reasons to explain that. One,

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1 infringement of a U.S. patent has certain limitations on extra
2 U.S. parties. This is exactly what 35 U.S.C. 271(g) was
3 designed to address. It was designed to address the flaw in
4 patent law which a party could avoid infringement of a U.S.
5 method patent by performing the method overseas or purchasing
6 from someone who does. So this is its own act of infringement.

7 But, your Honor, maybe more importantly, as the Court
8 might remember, all the public information that plaintiffs had
9 in the case where Fenix was the manufacturer of its own
10 diamonds; that's why we brought a motion to your Honor seeking
11 to compel production of the manufacturing process. In
12 response, Fenix says that's all market puppetry, those are
13 exaggerated statements, we said we're the manufacturer, we have
14 top-to-bottom chain of manufacturing, but that's really not
15 true. That was after the deadline for amended pleadings had
16 come and gone. So we weren't informed that Fenix, even though
17 their public representation was that they were a grower and
18 manufacturer of diamonds, quote-unquote, that they actually had
19 an alleged third party with no connection to them. At that
20 point, our option was to go through the Hague process, we
21 immediately took that up.

22 But, again, I think it's a red herring because 271(g)
23 is written exactly to capture a U.S. importer of goods
24 manufactured, according to a U.S. patent overseas, and that's
25 the basis on which we're suing them.

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1 THE COURT: All right.

2 MR. MOFFA: Your Honor, if you have any questions
3 about the other argument, the gradient argument that the
4 defendants didn't raise, I'm happy to hand that to my
5 colleague, Michael Chajon, otherwise I'll let Mr. Wikberg
6 address the comments regarding the 189.

7 THE COURT: Okay. Go ahead.

8 MR. WIKBERG: Your Honor, this is Terrence Wikberg.
9 I'll be addressing the 189 issue Mr. Sklar discussed. We're
10 frankly a bit surprised we are where we are. I'll first
11 address a characterization made --

12 THE COURT: Forgive me for interrupting. As I
13 indicated in my question to your adversary, to me, the issue
14 here, and there may be other issues, but the one that strikes
15 me as being nonmoot is the attorneys' fees issue. Why isn't
16 that relevant?

17 MR. WIKBERG: Well, I agree that may -- that is
18 probably the only thing remaining. Our covenant not to sue
19 addresses the full scope of the case and therefore, in our
20 opinion, removes subject matter jurisdiction from the Court on
21 any other decision. Under Rule 41, that does not change or
22 otherwise alter Article 3, and so based on the covenant not to
23 sue and our offer to bring a motion to withdraw with prejudice,
24 we believe removes subject matter jurisdiction from the Court.

25 Now, we're leaving only 285, we certainly agree with

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1 that. But I want to address, a little bit, some of the
2 characterizations made by Mr. Sklar in the alleged extensive
3 discovery.

4 As you heard from Mr. Moffa, later in the case than
5 would have been ideal, we were informed of this third-party
6 manufacturer. We endeavored, over and over, to receive
7 documentation production discovery on the annealing process
8 used by Nouveau. The only, and I'll call it evidence, but
9 arguably it is not, that we received regarding the annealing
10 process used by Nouveau was three sentences in the declaration
11 that Mr. Moffa referenced. We've received no documents, we've
12 received no testimony, we repeatedly asked and we're told,
13 well, we, Fenix, don't know anything about it, you have to go
14 to Nouveau, and that's why we tried to go through the Hague,
15 which was successful, but because of COVID, was very -- was
16 significantly delayed. And, in fact, as proceedings were going
17 in India, Fenix lodged various objections and oppositions to
18 further delay the process. So, realizing, as the expert report
19 dates were rapidly approaching, realizing we simply had no
20 evidence, no information, no discovery that we could use to put
21 together an infringement case on the 189, we had to accept that
22 fact.

23 On August 28, I sent an email requesting a meet and
24 confer on a motion to withdraw the 189 from the case. That
25 offer was ignored, it was never responded to. I repeated that

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1 request later, yet again, as expert discovery and expert
2 reports were going on and, again, it wasn't responded that we
3 don't want to talk or -- it was simply there was no response
4 after numerous requests.

5 We were surprised to see the motion on the 189 come
6 for summary judgment and we, because of our art, we told them
7 numerous times, prior to briefing and prior to expert reports,
8 that we will no longer pursue the 189.

9 The first time we met and conferred on the 189 was
10 yesterday, your Honor. Even after last week, after reviewing
11 further case law, looking where we were in the case, we said,
12 okay, we will make an offer to bring a motion to withdraw with
13 prejudice and we've provided a fully -- a covenant not to sue,
14 as seen on slide 23 here, which extends the full scope of the
15 litigation. In the meet and confer yesterday, we were still
16 surprised to hear that the defendant, Fenix, does not believe
17 that this is a proper covenant not to sue and would oppose our
18 motion to withdraw the claims with prejudice.

19 They have provided no basis or understanding as to why
20 the Court still has subject matter jurisdiction, and we
21 certainly take issue with their representation that they've
22 produced extensive discovery and information on the annealing
23 process, and this was a last-minute, 11th-hour withdrawal that
24 they've known since at least late August that we will no longer
25 pursue the 189 patent.

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1 So, your Honor, based on this covenant not to sue and
2 our offer for a motion to withdraw with prejudice, we feel that
3 the Court no longer has subject matter jurisdiction on any of
4 the claims, both our offensive claims and the counterclaims --

5 THE COURT: Just at the risk of beating a dead horse,
6 if someone brings a claim or counterclaim that, among other
7 things, asks for attorneys' fees in a situation where, at least
8 in theory, attorneys' fees are legally orderable, and the other
9 side then withdraws its claim, says we're no longer pursuing
10 that, we dismiss with prejudice, et cetera, et cetera; why does
11 that deprive me of jurisdiction over the attorneys' fee issue
12 that I previously had jurisdiction over?

13 MR. WIKBERG: It does not deprive you of the 285
14 issue, your Honor.

15 THE COURT: Okay, that's what I just wanted to clear
16 up.

17 MR. WIKBERG: No, that's not our position. It does
18 not, but it does deprive the Court of subject matter
19 jurisdiction on the remainder of the claim.

20 THE COURT: Now I understand your argument. Let me
21 hear, finally, from moving counsel in rebuttal.

22 MR. AIRAN: Your Honor, this is David Airan again.
23 Just a couple of quick points.

24 One is on the question of evidentiary issues. On
25 April 6th, the affiants for that affidavit were identified --

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1 THE COURT: I don't understand how you can have an
2 affidavit signed by two different people. If we were to then
3 have a trial, are you saying they would simultaneously take the
4 stand?

5 MR. AIRAN: No, your Honor. I believe that both
6 affiants were attesting to the truthfulness of all the
7 statements that were made in the affidavit.

8 And your Honor asked for some case law, I do have some
9 case law for you on this point.

10 THE COURT: Okay.

11 MR. AIRAN: So, *Padilla v. Troxell* is one case, it's
12 reported at 2016 WL 4098588, and that's from Western District
13 of Virginia, July 28, 2016. Another case is *Baker Hughes v.*
14 *Homa*, that's reported at 2012 WL 1551727, that's out of the
15 Southern District of Texas in April of 2012.

16 Both of those cases hold that swearing before a notary
17 and declaring under penalty of perjury in the respective
18 countries was admissible in the United States. It refers to --
19 both of the cases refer to FRE9028. These are authenticated,
20 as long as they're sworn to a notary and declared under penalty
21 of perjury of the respective country --

22 THE COURT: I'm not so troubled by the two affiants,
23 but I'm more troubled by things outside the affidavits, the
24 other materials.

25 MR. AIRAN: If I may, your Honor, if I may switch my

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1 screen for just one moment to address that issue.

2 There is a case that we have not cited in our paper
3 because, frankly, we didn't anticipate the extent to which
4 plaintiffs would be making this argument. This is the *Exigent*
5 *Technologies v. Atrana Solutions*, it's reported at 442 F.3d
6 1301, it's a Federal Circuit case from 2006. I don't know if
7 you can see that, your Honor --

8 THE COURT: Yes, I can see it.

9 MR. AIRAN: So, the argument here is very similar to
10 what the plaintiffs are making. The argument is actually
11 similar to what the plaintiffs are making here, that our
12 *Atrana's* summary judgment motion is not supported by admissible
13 evidence established by noninfringement. The Court of Appeals
14 went on to say, in light of seller tax, the Supreme Court
15 decision, we conclude that nothing more is required in the
16 filing of a summary judgment motion stating that the patentee
17 had no evidence of infringement, and pointing to the specific
18 ways in which the accused system did not meet the claims of the
19 case.

20 So, Fenix has no burden here, contrary to what
21 Mr. Moffa and Mr. Wikberg were saying. Our sole burden in due
22 of *Exigent* is to point to the absence of the ability of
23 plaintiff to prove a limitation. That's what we've done here.
24 We've gone beyond that. We've relied on *Nouveau* and we pointed
25 to, recently in the record, why *Nouveau's* evidence is very

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1 compelling --

2 THE COURT: What about the broader, if you will, kind
3 of equitable argument that they make? They sued you because
4 they had no knowledge of Nouveau. You said, oh, yeah, it's the
5 stuff comes from Nouveau, but they're an independent third
6 party, you'll have to go through the Hague convention and all
7 like that, but, lo and behold, Nouveau now furnishes you with
8 all these materials.

9 MR. AIRAN: So, in a Pasquel matter, I don't think the
10 record is correct that's supported by Mr. Wikberg and
11 Mr. Moffa. This lawsuit was filed on January 9th, they amended
12 their complaint on March 5th in response to communications that
13 we had with them. On April 6th, which was the first day for
14 initial disclosure, plaintiffs identified the two affiants;
15 Mr. Bakul Umbiasaya and Sharaguli Umbiasaya. They were aware
16 of them prior to the initial disclosures. They knew about the
17 existence of these people and their technologies. They made a
18 conscious decision not to pursue it.

19 Mr. Moffa said earlier, they relied on 271(g), which
20 does exemplify their dependent. They can say we're not going
21 to go after the manufacturer, we're not interested in it, we're
22 only going pick on the reporter, but that doesn't preclude them
23 from going after the manufacturer, and they were aware of the
24 manufacturer because they identified them in their very first
25 initial disclosure in this case. If they wanted to pursue that

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1 discovery, they could have brought -- they could have at least
2 attempted to bring them in, whether or not that would have been
3 successful, and Nouveau would have gone quietly or not or
4 opposed that motion, but that would have been an issue for the
5 Court to resolve. They did not even attempt to do that, except
6 they proceeded the Hauge for discovery.

7 And I'll point out, also on the record, that they
8 applied for email or for authority from the Court to pursue the
9 Hague on, I believe, May 22nd, and the Hague letter was
10 submitted on May 27th, and the Court authorized it on June 3.
11 If they felt that it was necessary at that point to try to
12 bring in Nouveau because the Hague was going to be flawed,
13 surely they could have come back to the Court and said, we can
14 get process over them via the Hague, and we think in this case,
15 given Fenix's limited ability to get the discovery, we need a
16 manufacturer, so allow us to amend the complaint to add them as
17 a manufacturer. They never did that, your Honor, and they
18 never attempted to even bring them into the --

19 THE COURT: All right. So, I am sorry, because I have
20 a 4:30 matter, we have to bring this to a close. I want to
21 thank counsel for their excellent arguments.

22 MR. WIKBERG: Your Honor, could I just respond? I
23 don't think I hear Mr. Airan saying that there is a basis for
24 suing Nouveau under U.S. law. I heard repeatedly --

25 THE COURT: No, he danced around it, but I understand

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1 the --

2 MR. WIKBERG: Thank you, your Honor.

3 THE COURT: So, last night, I told my wife I'm going
4 to be hearing a really interesting argument on some very
5 interesting patent issues and she asked me to explain it and I
6 did my best. She gave me a look and said, you call that
7 interesting? But I do, I find it very interesting. And so, it
8 will take me a little while to get you an opinion, but I will
9 do so as promptly as possible. And I do thank all counsel for
10 their excellent arguments. And that concludes this proceeding.
11 Thanks very much.

12 * * *